CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Randall Murphy

SUBJECT: TECHNOLOGY SPENDING PLAN/
USE OF RESERVE

DATE: May 25, 2007

Approved   /s/   Date   05/25/07

RECOMMENDATION

It is recommended that City Council approve the following actions in the General Fund:

a) Decrease the Earmarked Reserve: Technology Reserve by $2.0 million as detailed in the 2007-2008 Proposed Operating Budget.

b) Establish a City-wide expenses appropriation to the Information Technology Department for Technology Hardware Replacement in the amount of $600,000.

c) Establish a City-wide expenses appropriation to the Information Technology Department for Technology Legacy Applications Migration in the amount of $1.4 million.

BACKGROUND

In December 2006, Council adopted an appropriation ordinance amendment in the General Fund to reduce the $3.5 million Earmarked Reserve for Technology in the amount of $1.5 million, and increase the Information Technology Department's (ITD) non-personal and personal appropriations by the same amount. The $1.5 million is being used to address the most critical technology needs identified by the Chief Information Officer (CIO) following his assessment as directed by the City Manager.

The $2 million remaining in the reserve was initially targeted for use in vital areas that have been under-resourced over the past several years of economic downturn.   However, since the initial assessment by the CIO, a crucial network and infrastructure upgrade for the Police Communications campus was identified by ITD during preparation for expansion of the converged network. As a result, the $2 million is recommended to be used for that essential upgrade (included in the 2007-2008 Proposed Operating Budget), and the initial critical need projects are now recommended to be addressed through the $2.0 million which was added for the re-establishment of a technology reserve in the 2007-2008 Proposed Budget.

Additional areas of Citywide technology needs have also been identified as the CIO and ITD staff continue technology assessments under the direction of the City Manager. This Manager's Budget Addendum establishes a recommended plan for the $2.0 million augmentation to the Technology Reserve proposed for 2007-2008 in order to address two primary areas of Citywide technology needs as described in the analysis below.

ANALYSIS

Technology Hardware Replacement - $600,000

The City's technical network spans more than 18 major locations with 300 network servers, 20 application servers, 10 database servers, an estimated 6,600 desktop workstations, 30 network interfaces with external government agencies and 10 network interfaces. Approximately one million transactions are processed online per day, with 30 million lines of print produced weekly. There currently does not exist appropriated funding dedicated to address the replacement of aging equipment or immediate response to vital technology needs for general-funded departments, and technology purchases have historically been made on the basis of resource availability, urgent need and department-specific requirements.

The City currently has a great deal of aging equipment that far exceeds recommended best practices for replacement, is costly to support and maintain, and limits the interconnectivity among business applications. This hardware replacement allocation of the Technology Reserve would be used to upgrade the oldest or most vulnerable equipment that places the stability of the City network or employee productivity at greatest risk.

Technology Legacy Applications Migration - $1,400,000

During the 2006-2007 fiscal year, a fit-gap analysis was conducted for the migration of several aging billing systems, some still running on obsolete equipment located at the old City Hall site. One-time professional contractual services are needed to address outstanding business application needs. For example, it is essential that the remaining legacy business tax licensing application be replaced and integrated with the currently operational Integrated Billing System (IBS).

The fit gap analysis also identified the need for documenting business processes supporting technical relationships among business applications such as IBS, FMS, HR/Payroll, and Integrated Cashiering .In several past situations where new systems or upgrades modules to existing systems were taken live, the business process assessment of appropriate interfaces were not considered during project implementation and the City has been unable to fully benefit from the system's potential.

The $1.4 million will fund professional contractual services for the completion of legacy system migration. Migration of the business tax licensing application, which issues approximately

80,000 in business tax licenses with a revenue stream of $11.5 to $14 million, is of primary importance.   As funds allow, the replacement or redesign of existing interfaces to work more efficiently with new applications will be addressed.

CONCLUSION

Approval of the specific uses of a $2.0 million Technology Reserve recommended in the 2007-2008 Proposed Budget described in this memorandum would allow the Information Technology Department to continue addressing the most immediate Citywide areas of critical need in both infrastructure and business applications.   Benefits include realization of cost savings in the areas of maintenance and technical support, as well as improved and leveraged performance as various legacy systems are migrated and integrated with existing systems. The funding strategy for these projects utilizes one-time funds for the replacement or upgrade of existing equipment or systems that pose the most imminent risk to the City. In addition, one-time contractual services will be used for the migration of existing legacy systems, including the business tax licensing application.

/s/
Randall Murphy
Chief Information Officer